

DEPARTMENT OF HEALTH AND HUMAN SERVICES-
Public Health Service
Indian Health Service
Rockville, Maryland 20857

Refer to: CPM/DMP

INDIAN HEALTH SERVICE CIRCULAR NO. 95-12

**INDIAN HEALTH SERVICE STAFF INTERACTION WITH
THE OFFICE OF INSPECTOR GENERAL AND THE GENERAL ACCOUNTING OFFICE
RELATING TO AUDITS**

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1. PURPOSE. This circular prescribes policy and procedures for preparing timely and quality responses to audit reports issued by the Office of Inspector General (OIG), Office of Audit Services, and the General Accounting Office (GAO). Guidance is also provided for responding to OIG requests for information.
2. AUTHORITY. This circular is established in accordance with the requirements of Public Law (P.L.) 95-452, "Inspector General Act of 1978," P.L. 100-504 "Guidelines for Implementation of the Reporting Requirements Under the Inspector General Act Amendments of 1988," P.L. 67-13, "Budget and Accounting Act of 1921," and the Office of Management and Budget (OMB) Circular A-50, "Audit Followup." This circular conforms to audit resolution and followup policies and procedures established by the Department of Health and Human Services (HHS) and the Public Health Service (PHS).

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3. Policy. The procedures described herein apply to all IHS employees in their interaction with the OIG and the GAO. Managers and supervisors at all levels in the IHS are accountable for their staff's compliance with these procedures.
4. THE OIG. The mission of the OIG is to promote the economy, efficiency, effectiveness, and integrity of HHS programs by eliminating fraud, waste, abuse, and mismanagement. The OIG is comprised of the following three divisions:
 - A. **Office of Audit Services**. The Office of Audit Services (OAS) conducts oversees, and provides policy direction for comprehensive financial and performance audits of HHS programs, operations, grantees, and contractors. The primary objective of these audits include detecting and preventing fraud and abuse in HHS programs and operations; identifying systematic weaknesses that augment opportunities for fraud and abuse; and advising the Secretary of HHS and the Congress about problems and deficiencies identified in HHS programs and operations. The OAS is the focal point for financial audit activity within the HHS and provides overall leadership and direction in carrying out the Department's responsibilities under the Chief Financial Officers Act (CFOA) relating to financial statement audits and the Federal Managers' Financial Integrity Act (FMFIA) on management controls.
 - B. **Office of Investigations**. The mission of the Office of Investigations (OI) is to protect the integrity of HHS programs and the well-being of legitimate HHS beneficiaries by investigating allegations of fraud and abuse by service providers and illegal benefit seekers. Investigations by the OI can result in criminal prosecutions, administrative sanctions, and civil actions against wrongdoers, including monetary penalties and exclusion from HHS programs.
 - C. **Office of Evaluation and Inspections**. The Office of Evaluation and Inspections (OEI) conducts rapid evaluations (called inspections) of HHS administrative and program operations and procedures. The inspections provide policy makers with timely and accurate information, and analysis and advice for use in improving: the efficiency and effectiveness of programs, the quality of service that programs provide their clients, and the laws and regulations that govern the programs.

5. THE GAO. The GAO was established in 1921 under the "Budget and Accounting Act of 1921," as an Agency independent of the executive-departments. Under the control and direction of the Comptroller General of the United States, the goal of the GAO is to meet the needs of the Congress by furnishing audit and evaluation services that are useful, objective, accurate, and available when needed. The GAO investigates, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds. The GAO audits and reviews are conducted in response to requests from Congressional committees or individual members of Congress.

6. RESPONSIBILITIES.

A. Headquarters.

(1) **Director IHS** The Director, IHS, is responsible for: (a) designating a top management official in the IHS to oversee audit followup, including resolution and corrective action, (b) assuring that management officials throughout the Agency understand the value of the audit process and are responsive to audit recommendations, and (c) assuring that the Agency complies with the OIG/GAO recommendations to prevent waste, fraud, abuse, or mismanagement of government resources.

(2) **The Special Assistant to the Director of Headquarters Operations.** The Special Assistant to the Director of Headquarters Operations (DHO), Office of the Director, serves as the IHS point of contact for scheduling and coordinating entrance and exit conferences with the OIG/GAO. The Special Assistant to the DHO ensures that the OIG/GAO staffs do not short-cut or circumvent their own established procedures for interacting with the IHS.

In the absence of the Special Assistant to the DHO, The Chief, Management Control Branch (MCB), DMP, assumes the responsibility as agency point of contact.

(3) **Associate Director Office of administration and Management.** The Associate Director, Office of Administration and Management (OAM), as the Agency's Executive Officer, is responsible for ensuring: (a) that systems of audit followup resolution and planned corrective actions are documented and implemented, (b) that timely

responses are made to all audit reports, (c) that 'disagreements between the OIG/GAO and the IHS are resolved, and (d) that all corrective actions are completed.

- (4) ~~Division of Management Policy~~ The staff in the Division of Management Policy (DMP), OAM, is responsible for coordinating the IHS comments on OIG/GAO audit reports and the necessary followup action; and assuring that the IHS responses are appropriate, fully responsive, and submitted in a timely manner. The DMP staff distributes copies of the OX/GAO audit reports to the Area and Associate Directors for review and comments.
- (5) IHS Program / Function Managers The IHS program managers are responsible for reviewing and analyzing audit reports, providing completed and timely responses to the audit organizations (OIG/GAO) through the DMP, and taking corrective actions when appropriate. The program managers are responsible for meeting the deadlines and format requirements for submitting comments and followup reports established by the DMP. This compliance allows time for the necessary review, clearance, and signature by the Associate Director, OAM.

When IHS program managers disagree with an audit recommendation or an IHS response, the matter shall be resolved with the Associate Director, OAM.

- B. Area Directors The IHS Area Directors are responsible for responding directly to the OIG/GAO when the review is in the informal reporting stage. The informal reporting stage is when the audit organization has completed an audit of an IHS Area office program and has requested comments directly from the Area office prior to issuance of a consolidated report. A copy of the responses to the audit agency by the Area Directors must be provided to the Chief, MCB, DMP.

The Area Directors are responsible for submitting comments on the draft and final OIG/GAO reports and complying with the deadlines established by the Chief, MCB, DMP.

7. OIG/GAO AUDIT AND FOLLOWUP PROCESS.

- A. E n t r a n c e - Prior to an OIG/GAO audit; the audit agency should conduct an entrance conference with key IHS staff. During the entrance conference the purpose of the audit is explained. The IHS is then given an opportunity to provide feedback on the practicality of the audit and the appropriateness of the review methodology. The IHS may also suggest which IHS Areas or facilities should be reviewed.
- B. Reviews Audit agencies conduct reviews on-sight or by requesting information and documents to be mailed to a specific office. The IHS employees who are contacted by the OIG/GAO auditors must provide the information requested to the extent it is available.
- C. Exit Conference After an audit is completed, and prior to issuance of a draft report, the OIG/GAO is supposed to conduct a closeout session or exit conference with the audited agency. The purpose of the exit conference is for the auditors to explain the preliminary findings and to give the IHS an opportunity to respond to the preliminary findings. This allows for a clearer and more accurate draft report.
- D. OIG/GAO Audit Reportin and Followup Process The audit agency issues draft and final reports for each audit conducted. When a report is issued, a request for comments is received from the Chief, Cost and Audit Management Branch (CAMB), Public Health Service (PHS). The requests are in the form of a note addressed to the Director, DMP, and to the Office of the Director, IHS.
 - (1) Draft Report. The IHS is given an opportunity to comment on draft audit reports. Comments by the IHS may correct information contained in the report, or will assist the audit agency in clarifying an audit finding. The IHS must submit its comments to the CAMB within a specified time period. The time periods may vary depending on the sensitivity of the audit findings or the urgency for the IHS to implement corrective actions. Usually 30 to 45 calendar days is allowed for the PHS to submit a response to the audit agency. Depending on the deadlines imposed on the PHS by the audit agency, the Chief, MCB, DMP establishes deadlines for the IHS comments on the draft report. The IHS comments on draft

reports must include corrective actions that describe how the IHS will implement the OIG/GAO recommendations.

- (2) **Final Report** A final report is usually issued by the audit agency within 90 calendar days after receipt of the IHS comments on a draft report.

The PHS is then allowed up to 60 calendar days to submit comments on the final report. Depending on the deadlines imposed on the PHS by the audit agency, the Chief, MCB, DMP establishes deadlines for the IHS comments on the final report. The IHS comments must include information on the status of corrective actions to implement the OIG/GAO recommendations. The IHS program managers must make every effort to bring the reports to closure within one year after issuance of the final report.

The Associate Director, OAM, in his/her capacity as the Agency Management Control Officer, determines if the OIG/GAO audit report would constitute an "alternative management control review" under the FMFIA. This determination could impact the management control review (MCR) cycle of a function listed in the IHS management control plan. During future MCRs, compliance will be measured for adherence to the OIG/GAO recommendations to which the IHS has agreed.

- (3) Audit followup Status Reports After the IHS has submitted comments on the final report, and recommendations remain open after six months, the report may go into audit followup. The IHS is required to report quarterly on the status of corrective actions until each of the recommendations have been implemented.

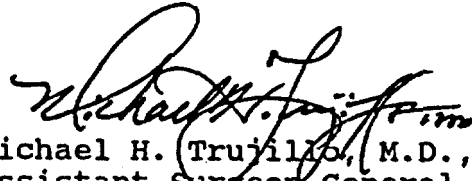
Requests for the audit followup reports are received from PHS in the same manner as requests for the draft and final reports. The CAMB, PHS, usually requires these reports to be submitted by the IHS within 30 calendar days after the end of each quarter. The DMP staff notifies the IHS program managers of impending due dates prior to

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the end of each quarter that a audit followup report is due. This notification advises that the reports are due in the DMP within 10 working days after the end of each quarter.

8. **OIG REQUESTS FOR INFORMATION** The IHS employees who are contacted by OIG auditors must provide the information requested to the extent it is available. The information provided must be complete, accurate, and cleared by a Division Director, Associate Director, or Area Director. A copy of the completed form entitled, "Notification of Documents Requested by the OIG" (see Exhibit D), must be provided to the Executive Secretariat, IHS, Headquarters.
9. **EFFECTIVE DATE.** This circular is effective upon the date of signature by the Director, IHS.



Michael H. Trujillo, M.D., M.P.H.
Assistant Surgeon General
Director, Indian Health Service

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FORMAT FOR COMMENTS - DRAFT REPORTS

**PUBLIC HEALTH SERVICE (PHS) COMMENTS ON THE OFFICE
INSPECTOR GENERAL (OIG) (or GENERAL ACCOUNTING OFFICE OF
DRAFT REPORT, "TITLE OF REPORT," COMMON
IDENTIFICATION NUMBER (CIN)**

General Comments (If any)

Comments regarding the merits of the review, the practicality of the review, or the manner in which the review was conducted should be made here.

OIG (or GAO) Recommendation(s)

Transcribe (word for, word) each of the recommendations made by the audit agency from the draft report to this section of the IHS comments.

PHS Comments (To the OIG/GAO recommendations)

In this section of the comments the IHS is afforded the opportunity to convey if We concur or if we do not concur with the findings and recommendations included in the audit agency's draft report.

- If the IHS concurs with each of the written findings and recommendations, information must be provided here regarding the IHS plans to implement necessary corrective actions and the projected dates (month and year) for completion of each corrective action. Corrective actions for each recommendation must be realistic, well planned and described concisely in this section of the IHS comments.
- . Rationale for the IHS not concurring with any one of the written findings and recommendations must be included in this section of the IHS comments.

Technical Comments (If any)

Cite pages and paragraph numbers of the draft report that require technical corrections. The IHS must be specific in its requests for corrections and should suggest replacement text for the final report.

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FORMAT FOR COMMENTS - FINAL REPORTS

**PUBLIC HEALTH SERVICE (PHS) COMMENTS ON THE OFFICE OF
INSPECTOR GENERAL (OIG) (or GENERAL ACCOUNTING OFFICE (GAO))
FINAL REPORT, "TITLE OF REPORT," COMMON
IDENTIFICATION NUMBER (CIN)**

OIG/GAO Recommendation(s)

Transcribe (word for word) each of the recommendations made by the audit agency from the final report to this section of the IHS comments.

PHS Comments (To the OIG/GAO recommendations)

In this section of the comments the IHS is afforded the opportunity to convey if We Concur or if We do not concur with the findings and recommendations included in the audit agency's final report.

- 1 If the IHS concurs with each of the written findings and recommendations, information must be provided here regarding: the IHS plans to implement necessary corrective actions; the projected dates (month and year) for completion of each corrective action; and a report of IHS progress toward completing each corrective action. Corrective actions for each recommendation must be realistic, well planned and described concisely in this section of the IHS comments.
- 1 Rationale for the IHS not concurring with any one of the written findings and recommendations must be included in this section of the IHS comments.

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FORMAT- AUDIT FOLLOWUP REPORTS

Note: This report is required for each quarter that a corrective action proposed by the IHS remains open. The corrective actions to implement audit agencies' recommendations are included in the "Justification and Approach" document (Circular Exhibit 95-00-C, page 2).

AUDIT FOLLOWUP STATUS REPORT
FOR THE QUARTER ENDING (MONTH, DAY, & YEAR)

INDIAN HEALTH SERVICE

STATUS SUMMARY

	RECOMMENDATIONS			
	<u>C</u>	<u>m</u>		
<u>OIG REPORT</u>	(1) CONCURRED IN	(2) PREVIOUS QUARTERS	(3) THIS QUARTER	(4) REMAINING OPEN
CIN: _____				
"Title of Report"				

- Column 1 - cite the number of audit agency recommendations from the final report in which the IHS concurred.
- Column 2 - Cite the number of recommendations that were completed by the IHS prior to the beginning of the quarter being reported.
- Column 3 - Cite the number of recommendations completed by the IHS during the quarter being reported.
- Column 4 - Cite the number of recommendations that remain to be completed by the IHS as of the end of the quarter being reported.

FORMAT- AUDIT FOLLOWUP REPORTS

AUDIT FOLLOWUP STATUS REPORTS
FOR THE QUARTER ENDING (MONTH, DAY, & YEAR)

INDIAN HEALTH SERVICE

OX/GAO Report: "Title of the Report" (CIN)

JUSTIFICATION AND APPROVAL

- Cite the title of the OIG/GAO report and the number of recommendations.
- . Transcribe (word for word) each of the recommendations made by the audit agency in the final report here.
- Each of the written findings and recommendations included in the final report that the IHS concurred with must be included in this section.
- Describe the action to be taken by the IHS to implement each of the audit agency's recommendations on which the IHS concurred.

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FORMAT- AUDIT FOLLOWUP REPORTS

AUDIT FOLLOWUP STATUS REPORT
FOR THE QUARTER ENDING (MONTH, DAY. & YEAR)

SUMMARY OF PROGRESS

OIG/GAO RECOMMENDATION #(cite the recommendation number):

Transcribe the recommendation made by the audit agency in the final report here, word for word.

Acti step 1

Transcribe the corrective action that is proposed by the IHS exactly as it was written in the "Justification and Approach" section (see Circular Exhibit 35-00-C).

Status:

A brief and concise description of the progress made by the IHS to complete this action step during the quarter being reported must be provided here. All information included here must be specific to the proposed action.

Include a statement of ACTION PENDING or ACTION COMPLETE as appropriate.

Acti S T E:P 2

If more than one action step has been proposed by the IHS to implement an audit agency recommendation, a report on the IHS progress and the status of the action must be completed in the same manner as the report on Action Step I. Action steps are listed in sequential order in the quarterly audit followup reports, regardless of the audit agency recommendation number to which they apply.

OIG/GAO RECOMMENDATION #(cite the recommendation number):

Repeat the above format for each subsequent recommendation.

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FORMAT - AUDIT FOLLOWUP REPORTS

AUDIT FOLLOWUP STATUS REPORT
FOR THE QUARTER (MONTH, DAY, & YEAR)

INDIAN HEALTH SERVICE

TIME-PHASED CORRECTIVE ACTION

OBJECTIVE: State the objective that is to be achieved as the result of all of the corrective action steps being completed and all of the recommendations implemented.

MILESTONES

<u>FY 95</u>												<u>FY 96</u>				
O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F

Action Step 1

(Transcribe the action step proposed by the the IHS from the "**Justification and Approach" section.)

Completed or Pending

Action Step 2

(Transcribe the action step proposed by the the IHS from the "Justification and Approach" section.)

Completed Or Pending

Action Step 3

(Transcribe the action step proposed by the the IHS from the @*Justification and Approach" section.)

Completed or Pending

Note: . Indicates action pending completion.
. Indicates action Completed.

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FORMAT- RECORD OF DOCUMENTS/INFORMATION TRANSMITTED

NOTIFICATION OF DOCUMENTS REQUESTED BY
THE OFFICE OF INSPECTOR GENERAL,

1. Date of request for documents(s):
2. Name, phone number, OIG Office and address of OIG representative requesting IHS documents:
3. Documents(s) requested (attach a second sheet if more room is needed):
4. Yes No These documents are complete and may be sent to the OIG without review by another IHS Office.
5. If you recommend review of documents by another IHS Office or the Director of Headquarters Operations, please list: 1) office(s) that should review the document, 2) reason(s) for the recommended review.

<u>Offic to Review</u>	<u>Reason(s) for Review</u>
1.	1.
2.	2.
3.	3.

<hr/>	
Signature	Date
<hr/>	
Division	Office